



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Required Report - public distribution

Date: 04/30/2004

GAIN Report Number: TW4017

Taiwan

Grain and Feed

Annual

2004

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Report Highlights:

Taiwan's wheat demand is expected to fall slightly to 1.13 million metric tons in 2004/5. Although importers may experiment with small imports of feed wheat, the United States is expected to keep a 90+ percent share of the wheat market during the forecast period. Taiwan's demand for corn imports in 2004/05 is forecast at approximately 5.0 million metric tons, only slightly lower than 2002 – 2003 levels. This decrease will come from falling Taiwan broiler production resulting from the 2005 liberalization of chicken meat imports, although it will be mitigated by a slight recovery in swine production. Rice imports are expected to remain steady at the quota-fixed 144,720 tons, with the U.S. remaining the dominant supplier in the public tenders while Thailand supplies most of the private sector imports.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Taipei [TW1]
[TW]

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SECTION I. COMMODITY SITUATION AND OUTLOOK**Wheat Situation & Outlook****Table 1. Wheat Production, Supply and Demand, 1,000 MT**

PSD TABLE						
Country	Taiwan					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2002		07/2003		07/2004
Area Harvested	0	0	0	0	0	0
Beginning Stocks	270	285	249	290	279	282
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1003	1153	1000	1224	0	1130
Jul-Jun Imports	1003	1044	1000	1080	0	1080
Jul-Jun Import U.S.	842	968	0	980	0	980
TOTAL SUPPLY	1273	1438	1249	1514	279	1412
TOTAL Mkt. Yr. Exports	24	0	20	0	0	0
Jul-Jun Exports	24	0	20	0	0	0
Feed Dom. Consumption	100	68	100	152	0	50
TOTAL Dom. Consumption	1000	1148	950	1232	0	1130
Ending Stocks	249	290	279	282	0	282
TOTAL DISTRIBUTION	1273	1438	1249	1514	0	1412

Production

Taiwan's wheat production is negligible.

Consumption

Taiwan's wheat demand is expected to fall slightly to 1.13 million metric tons in 2004/5, mostly because of lower feed wheat imports. Taiwan's overall wheat consumption is basically stable, with more than 95 percent used for milling. Consumption of milled products may increase slowly, despite already high per-capita levels. Supporting this is high noodle consumption and a dynamic wheat food market driven by Taiwan's 6,000 bakeries, convenience stores, and supermarkets. Intense competition between food manufacturers and strong public interest in new food items encourages a high number of product introductions. This boosts demand for wheat-based products, which is supported by Taiwan miller's production of specialty flour.

Stocks

Taiwan stock levels for 2004/05 are expected to be 282,000 tons, which is near the average of recent years.

Trade

Since Taiwan does not produce wheat, all demand is met by imports. Although importers may experiment with small imports of feed wheat, the United States is expected to keep a 90+ percent share of the wheat market during the forecast period. In 2002/3, the U.S. had a 93 percent share, while Australia supplied just under 7 percent.

Taiwan imports mostly U.S. #1 wheat, approximately 60 percent is HRS or DNS, while 28 percent is HRW, 11 percent Soft or Western White Wheat, and 1 percent Durum. The U.S. market share for milling wheat is expected to increase because of the introduction of U.S. Hard White Wheat into export channels. The superior milling characteristics and price competitiveness of Hard White Wheat are expected to cut the market share of Australian prime hard wheat. As of April 2004, Taiwan has imported 20,000 mt of U.S. Hard White Wheat for milling and for trial use in Chinese food manufacturing.

In 2002 and 2003, feed wheat imports from India totaled 68,000 and 152,000 tons, respectively. These imports by Taiwan swine producers were primarily a result of high corn prices in 2003. The average feed wheat CIF price was \$130/mt versus \$160/mt for corn.

Taiwan imports a very small amount of wheat flour that only accounts for 2 percent of the total flour supply. Flour imports in 2003 totaled only 17,000 tons, up 2,000 tons from a year earlier. All but 2,000 tons of the total came from Japan.

Policy

Cross-Straits Trade

The most serious potential threat to U.S. wheat exports is an opening to PRC flour, wheat or processed products. Although liberalization continues to be delayed by icy cross-strait relations, local industry sources expect Taiwan to eventually lift its import bans on PRC products. Currently, Taiwan authorities review these restrictions every six months, with the next review scheduled for September 2004. Taiwan authorities also consider liberalization petitions from local companies or industrial groups every two months. However, the reelection of Taiwan's pro-Independence President makes it unlikely that Taiwan will reward China with wheat or wheat product market liberalization any time soon. In addition, the continuing freeze on cross-strait political contacts will make it more difficult to resolve the phytosanitary issues for wheat. Finally, the potential damage caused to Taiwan millers by flour and processed product imports will also likely delay Taiwan's market opening.

If imports were allowed, PRC products could compete strongly in the Taiwan instant noodle market. Taiwan's largest two instant noodle producers have invested heavily in Mainland China and plan to ship from the PRC if Taiwan ends its import ban. In preparation for liberalization, one instant noodle company already uses the same brand names for products sold on both sides of the Taiwan Strait. Since a potential flood of Chinese products would greatly influence the Taiwan flour and instant noodle market, this will also increase Taiwan's reluctance to lift the ban quickly.

Although the entry of PRC products would likely disrupt the Taiwan wheat market, direct sales of Chinese wheat and wheat flour would face stiffer competition. The dominant position of U.S. wheat in the market and technical support offered by U.S. Wheat Associates will make Taiwan millers and food manufacturers reluctant to switch to alternative suppliers.

In the long-run, PRC wheat and products are expected to affect U.S. wheat exports to Taiwan by cutting demand for HRW, WW and SW wheat while possibly boosting it for DNS wheat. Since China produces middle protein wheat and little high protein wheat, Taiwan millers anticipate stiff competition in the low-end flour market, where flour is used for making cookies and gluten products that account for 12 percent of the total flour market. On the other hand, Taiwan millers hope to supply high quality flour to the Mainland if China reciprocates a Taiwan market opening. Outside of the milling sector, China's potential for feed grain production has stimulated Taiwan feed miller industry interest in importing PRC feed wheat, especially if corn prices remain high.

Taiwan Buying Practices and Investment Plans

In the meantime, the Taiwan flour milling industry continues to use its long-standing collective group purchasing system under which importers pool their funds and jointly import large grain shipments. To increase Taiwan's milling competitiveness, the industry is considering the construction of a NT\$1.5 billion or \$45 million (current exchange rate is \$1 = NT\$33.4) flour mill with an annual capacity of 600,000 tons of wheat at Taichung's harbor in central Taiwan.

Corn Situation & Outlook**Table 2. Corn Production, Supply and Demand, 1,000 MT**

PSD TABLE						
Country	Taiwan					
Commodity	Corn				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Harvested	10	10	10	10	0	0
Beginning Stocks	1329	1330	1387	1185	1537	1160
Production	50	50	50	50	0	0
TOTAL Mkt. Yr. Imports	4758	5055	4800	5075	0	5000
Oct-Sep Imports	4758	5115	4800	5100	0	5000
Oct-Sep Import U.S.	4220	4569	0	4100	0	4100
TOTAL SUPPLY	6137	6435	6237	6310	1537	6160
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	4550	5000	4450	4900	0	4800
TOTAL Dom. Consumption	4750	5250	4700	5150	0	5025
Ending Stocks	1387	1185	1537	1160	0	1135
TOTAL DISTRIBUTION	6137	6435	6237	6310	0	6160

Production

Taiwan is not expected to produce corn in any significant quantities in 2004/05. In recent years, domestically produced corn only accounted for less than one percent of total corn consumption.

Consumption

In 2004/05, nearly 95 percent of Taiwan's 5.0 million tons (4.8 million tons) of corn consumption will likely go for feed use, with the remaining 200,000 tons wet milled to produce corn syrup. After relative stability through 2003/04, Taiwan's feed corn consumption is expected to contract slowly over subsequent years because of falling poultry production. In 2004/05, increasing Tariff Rate Quotas (TRQ) for imported meats are likely to cut feed demand only by 1 to 2 percent because of Taiwan's strong swine sector, which is expected to recover from a Porcine Circovirus (PCV) outbreak. Over time, the competitiveness of Taiwan

pork products will limit imports mainly for processing or to supply the market during occasional shortfalls. When the TRQs end in 2005, industry sources expect the total poultry meat imports to total only between 80 to 100,000 tons. The local feed industry forecasts that the 2005 liberalization of pork belly, variety meat, and chicken meat imports will cut total feed demand to 7 million tons in 2005 from 7.6 million tons in 2000.

Approximately 45 percent of Taiwan's feed production goes to the poultry sector. Taiwan's poultry sector is not expected to face serious disease problems because of an effective quarantine system. In February 2004, an outbreak of H5N2 Low Pathogenic Avian Influenza (AI) only had a very small effect on poultry production – producers only lost 55,000 birds of a total population of 130 million birds. Though AI temporarily reduced poultry meat consumption, this loss in grain consumption was offset by increased pork production.

Stocks

Taiwan stock levels for 2004/05 are expected to be 1.1 million tons, which is near the recent the historical average.

Trade

Taiwan's demand for corn imports in 2004/05 is forecast at approximately 5.0 million metric tons, only slightly lower than 2002 – 2003 levels. This decrease could come from falling Taiwan broiler production resulting from the 2005 liberalization of poultry imports, although it will likely be mitigated by a slight recovery in swine production. Although high corn prices may stimulate more feed wheat imports, these shipments are not expected to have a major impact on Taiwan's corn market.

In 2004/05, the United States is expected to remain Taiwan's major supplier of corn, although high prices may slightly erode market share by encouraging experimentation with feed wheat or corn from new origins. In 2002/03, the United States had an 89 percent share of Taiwan's total corn imports, while Argentina had 8 percent, Mainland China 1 percent, and Thailand 0.6 percent. This was down from the almost 100 percent U.S. market share in 2001/02. High corn prices are also expected to spur small corn imports from non-U.S. sources, with the largest competitor being Argentina. Thai corn is also expected to enter Taiwan while shipments from the Philippines, Indonesia and India are also possible.

During the forecast period, the largest threats to the U.S. corn market in Taiwan are the possibility of PRC corn exports to Taiwan and a steeper than expected decline in Taiwan's broiler sector. In the short-term, tightening PRC corn supplies reduce the immediate threat of large-scale corn exports to Taiwan. For more on the PRC corn situation, please see GAIN CH4005. However, a major animal disease outbreak in China that sharply reduces corn consumption there could increase PRC interest in corn exports. Over the longer-term, increases in PRC corn production or quality combined with the use of export subsidies will likely increase pressure on Taiwan to open the Taiwan market.

Corn Substitutes

Although high corn prices may encourage some small imports of other feed grains such as feed wheat or barley, it is unlikely that these products will see large gains in market share. In 2002, Taiwan's feed inclusion rate for corn was approximately 65 percent (down by 1 percent from the previous year) based on corn supply and feed production figures. The feed

inclusion rate of other feed grains combined was 4 percent (up by 1 percent from the previous year), including approximately 182,000 tons of barley (203,000 tons in 2001), 46,000 tons of sorghum (36,000 tons in 2001), and 68,000 tons of feed wheat (2,000 tons in 2001).

The Taiwan feed millers imported feed wheat for the first time in 2000. Feed wheat imports are expected to displace Australian barley because of the drought in Australia during the previous two crop years. Taiwan stopped the use of rice for animal feed after entering the WTO in January 2002.

Development of Non-Feed Uses for Corn

The U.S. Grain Council (USGC) office in Taiwan has been developing the Taiwan bioplastics and ethanol markets, which could eventually become major outlets for U.S. corn or Value Enhanced Grain exports. USGC is also exploring ways to increase the use of biodegradable plastics to meet demand created by growing environmental restrictions on the use of non-biodegradable products. Beyond plastics, USGC is also working to facilitate the use of ethanol in Taiwan, although prospects for success remain uncertain.

Policy

Cross-Straits Trade

In October 2002, Taiwan allowed the entry of PRC corn for the first time, giving China its first opportunity to enter the Taiwan market. So far, Taiwan has only authorized limited imports of Chinese food products to make up for local shortages. PRC corn has only been allowed entry during three periods:

- October - December 2002, with imports of 71,000 tons
- November 2003 - January 2004, with imports of 65,000 tons.
- March - May 2004, with no imports expected because of high PRC corn prices.

After May 2004, the market will likely be closed again. Taiwan authorities review these restrictions every six months with the next formal review scheduled for September 2004. Taiwan also review petitions submitted by industry groups. Several feed millers with investments in China have linked up with Taiwan swine producers to petition the island's authorities to permanently end the import ban.

Although periodic market openings to PRC corn may continue, allowing its entry permanently is a major step that would only likely occur after lengthy deliberations. There are several reasons for this caution: One, Taiwan commercial feed millers/corn importers have resisted the introduction of PRC corn because it will undermine the group buying arrangements, which have allowed companies to import large cargoes on favorable terms. Two, the PRC has not proven to be a reliable supplier to other markets because it has cancelled shipments with little advance notice. Three, PRC corn is of uncertain quality, which could complicate attempts to calculate feed rations. Four, China appears to be subsidizing corn exports, which is contrary to their WTO Accession Agreement commitments. The export subsidy was the major reason why PRC corn was competitive in Taiwan in 2003.

If the ban were lifted, the geographic proximity of Northeast China to Taiwan could allow smaller shipments, faster delivery and lower carrying costs for Taiwan importers compared to U.S. corn. PRC shipments could also make it possible for small firms to import corn

independently of the traditional major buying groups. On the other hand, U.S. feed grain suppliers may be able to use containerized shipments to supply Taiwan when ocean freight costs rise, allowing them to compete more effectively with small PRC corn shipments. The very low container backhaul rates to Taiwan from the U.S. could make this an attractive prospect for U.S. grain exporters.

Livestock Initiatives

To adjust to post-WTO trade conditions and 2005 import liberalization, Taiwan's livestock and feed industries are working to improve the competitiveness of Taiwan poultry and swine production. The National Animal Industry Foundation (NAIF) was formed in January 2000 to support the differentiation between locally produced chicken and pork products from imported products by establishing logos related to freshness and taste. The Taiwan Council of Agriculture (COA) is also attempting to improve the quality of domestically produced meat and poultry products in order to compete more effectively with imported products. COA has also worked to reestablish Taiwan's Food and Mouth Disease (FMD) free status in order to resume Taiwan's pork exports to Japan. Despite COA's efforts, FMD free status without vaccination is still at least one or two years away.

Biotechnology Update

On February 23, 2001, the Taiwan Department of Health (DOH) promulgated regulations on bioengineered food labeling and registration. Initially, these regulations only applied to soybeans and corn and their products but will likely expand to other products in 2004. Taiwan's bioengineered food safety approval and labeling regulation took effect on January 1, 2003. Since this time, no bioengineered soybean and corn may be produced, processed, prepared, packed, and imported or exported unless they are registered. All bioengineered varieties of soybeans and corn must be registered and approved by the Food Sanitation Bureau (FSB) of the Department of Health (DOH).

Corn food products made of non-bioengineered materials can be labeled "Non-Genetically-Modified" on a voluntary basis. The labeling regulations will not apply to products that do not contain pieces of transgene(s) or protein such cornstarch, corn syrup and corn oil. Taiwan will use a 5 percent tolerance level by weight to determine a product's bioengineered status. Corn foods sold at traditional "wet" markets and at restaurants will not require labeling.

Taiwan has approved 11 of the most widely commercialized bioengineered corn and soybean events. It is currently drafting a basic law to cover all products derived from modern biotechnology. Completion of the draft law is expected by June 2004 when it will be sent to the Legislative Yuan (parliament) for consideration. In the meantime, Taiwan has been increasing its funding for biotech food regulation. It recently allocated a two-year capacity building budget of NT\$1.4 million or \$420,000 for conducting food safety assessments. This figure is up several times from earlier levels.

U.S. – Taiwan Goodwill Missions

In September 2003, Taiwan importers signed a Letter of Intent to import a minimum of 7.5 million tons of corn and 3.2 million tons of soybeans in 2003 and 2004. These non-binding commitments are fulfilled by private Taiwan importers rather than government agencies. Signing ceremonies for these agreements typically take place in Washington, D.C. Taiwan has not yet proposed a similar agreement beyond 2004.

Rice Situation and Outlook

Table 3. Rice Production, Supply and Demand, 1,000 MT

PSD TABLE						
Country	Taiwan					
Commodity	Rice, Milled					
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Area Harvested	307	307	290	272	0	264
Beginning Stocks	112	370	245	385	280	451
Milled Production	1271	1271	1140	1164	0	1027
Rough Production	1803	1803	1617	1651	0	1457
MILLING RATE (.9999)	7049	7049	7049	7049	0	7049
TOTAL Imports	106	76	135	151	0	126
Jan-Dec Imports	135	76	125	151	0	126
Jan-Dec Import U.S.	82	52	0	115	0	70
TOTAL SUPPLY	1489	1717	1520	1700	280	1604
TOTAL Exports	94	94	90	49	0	87
Jan-Dec Exports	90	94	100	49	0	87
TOTAL Dom. Consumption	1150	1238	1150	1200	0	1200
Ending Stocks	245	385	280	451	0	317
TOTAL DISTRIBUTION	1489	1717	1520	1700	0	1604

(PSD Note: Due to U.S. West Coast Port Lockout in late 2002, exports for 2002 were moved into 2003. This reduced 2002 rice imports to 76 tmt instead of the full quota amount of 126 tmt. In addition, 29,229 mt of the 2003 public imports were delivered in 2004. It is anticipated about the same amount of public quota rice entered into Taiwan in the following year because Taiwan tenders for U.S. new crop rice which available in the market after September. As a result, imports were 151 tmt and 126 tmt in 2003 and 2004, respectively.)

Production

Rice production is expected to fall by 12 percent to a historical low of slightly more than 1 million tons because of an ongoing drought in southern Taiwan. However, area planted will only shrink by 3 percent to 264,000 ha. To accommodate the 144,720 mt (brown basis) of imported rice now allowed entry, Taiwan planned to cut its rice production from 2001 levels by 10 percent in 2002, by 20 percent in 2003 and 22 percent in 2004. However, in 2003, production did not fall as planned and prices fell to some the lowest prices in a decade. For example, the retail bulk in January 2002 was NT\$35.97/kg while in October 2003's it was NT\$28.86/kg. To put a floor under prices, COA increased its purchases of rice to balance the market. Since October 2003, rice prices have recovered and the retail bulk price of rice was NT\$34.93/kg as April 2004. Higher prices have also enabled Taiwan to release publicly imported rice to the market quickly in 2004. So far, Taiwan has released 130,000 mt of centralized imported rice to the local market, equivalent to 1.4 year's worth of public imports.

Consumption

Total domestic rice consumption in 2002 and 2003 is estimated to fall slightly because of the falling quantity of rice available for feed use. The table rice consumption forecast remains at 1.2 million tons.

Stocks

Taiwan ending rice stocks are expected to fall to 317,000 tons because of declining local production and increasing sales of rice imported by the public sector. This reversed a 2003 build-up in stocks to 431,000 tons that was the result of slow sales of publicly imported rice and a larger than expected harvest. Ending stocks in 2004 are expected to be the lowest in a decade, although they are still expected to equal 31 percent of yearly consumption. Stocks have fallen by 43 percent since Taiwan joined the WTO in January 2002, which is in line with a Council of Agriculture plan to cut stocks by 40 percent after accession (see GAIN TW0015).

Table 4. Taiwan Rice Stocks Levels, 1994-2004, 1,000 MT

YEAR	1994 – 2001 AVERAGE	2002	2003	2004 (FORECAST)
Ending Stocks	554	385	431	317

Trade Imports

In 2003, Taiwan switched its import regime to a Tariff Rate Quota (TRQ) system from the Minimum Market Access (MMA) system used in 2002, its first year in the WTO. The total quota amount remains at 144,720 mt on a brown rice basis (equivalent to 126,000 tons on a milled rice basis). Of this total, 65 percent is reserved for the government purchases and 35 percent for the private trade. All grain dealers who have registered with COA and have a grain dealer license may bid for rice import quotas. The out-of-quota tariff rate is NT\$45/kg for rice and NT\$49/kg for processed rice products, with conversion factor of 1.15 to convert from milled or processed products to brown rice.

Taiwan's change to a TRQ system was submitted to the WTO in October 2002. In December 2002, it passed enabling legislation without prior consultation with WTO members, triggering a formal objection from the U.S., Australia, and Thailand in the WTO. The objections were based on Taiwan's lack of consultation, the removal of previous negotiated WTO headnote language and associated concessions, as well as the extremely high out of quota duty.

Table 5. Import Summary Table for 2002-2003 Quota Fill

ORIGIN	2002				2003			
	Public Trade (mt)	Private Trade (mt)	Total Imports (mt)	Import Share	Public Trade (mt)	Private Trade (mt)	Total Imports (mt)	Import Share
The United States	70,068	29,279	99,347	68.6%	70,068	4,676	74,744	51.7%
Thailand	0	18,362	18,362	12.7%	6,000	31,056	37,056	25.6%
Australia	24,000	2,244	26,244	18.1%	8,000	268	8,268	5.7%
Egypt	0	0	0	0.0%	10,000	14,265	24,265	16.8%
Japan	0	332	332	0.2%	0	298	0	0.2%
Other Countries	0	447	447	0.3%	0	18	18	--
Grand Total	94,068	50,664	144,732	100%	94,068	50,581	144,649	100%
Quota Fill Rate	100.008%				99.951%			
Source: Council of Agriculture (COA)								

Private Trade

Thailand had a 61 percent share of the 2003 rice private trade, followed by Egypt (28 percent), the United States (9 percent), and Japan and Australia (each less than 1 percent).

Under the TRQ's "System Three" quota bidding system, Taiwan has already successfully allocated all 50,652 mt (brown basis) of 2004 quota rights to local importers, with the bid prices ranging from NT\$9.680/kg to NT\$12.999/kg (brown basis). The specific quota allocation results for the private trade are reported in GAIN TW3049, TW4006 and TW4017. Prices in 2004 were higher than in 2003, but the spread of successful bids was lower. The cost for quota rights in 2004 reflects conditions in the local and international rice markets – the larger the difference between the domestic and international prices, the more expensive quota rights become.

Under System Three, importers bid for quota rights that are sold to the highest bidders first. In 2003, Taiwan's first year under the TRQ system, the private quota was 100 percent filled. Taiwan did not even have to use its quota reallocation mechanism, which redistributes unused quota rights. Only a few quota holders who had not imported rice before September 15 had to apply to extend their quota rights to the end of year.

Public Trade

The United States continues to dominate the public rice trade, with a 75 and 67 percent share in 2002 and 2003 public imports, respectively. Egypt began to participate in the rice tenders in 2003 and took an 11 percent share, while Australia only captured a 9 percent share. A major drought pushed down Australian market share from 26 percent in 2002.

The 2004 public tender schedule for public imports was reported in GAIN TW4007, which is scheduled to run March-September. As of mid April, Taiwan has tendered and contracted for 8,850 mt of medium brown grain (U.S. supply) and 1,500 mt of milled glutinous long grain (Thai supply) and are continuing tenders for 1,500 mt of milled glutinous long grain and 1,000 mt of milled glutinous short grain.

Tight Supplies of Glutinous Rice

Taiwan produces approximately 65,000 mt of glutinous rice a year, with domestic supply and demand generally balanced. In 2004, glutinous rice prices increased sharply because of the timing of the Chinese New Year and the Dragon Boat Festival, which both come before the Taiwan spring rice harvest. This generally only happens every four years. As a result, prices surged above NT\$46/kg in from a low of NT\$34/kg in January and noticeably higher than the three-year average of NT\$43/kg. To stabilize prices, COA has tendered for glutinous rice, which will mostly come from Thailand. Although glutinous rice tenders are not expected to exceed 4,000 tons in 2004, these tenders will reduce the opportunity for other rices to enter Taiwan through public channels. In 2000, Taiwan granted a special import permit for 1,500 tons of PRC glutinous rice to fill a one-time shortfall.

Exports

Taiwan has stopped selling surplus rice onto the world market at discounted prices after WTO entry, ending virtually commercial exports after May 2002. Total 2002 rice exports of 94,000 tons were all contracted for prior to WTO entry. Taiwan plans to send 100,000 tons of rice (milled basis) as food aid to needy countries each year to control stocks.

Table 6. Food Aid Statistics Table for 2003 (on a milled basis)

DESTINATION	TONNAGE
Jordan	5,000
Tuvalu	36
Haiti	3,000
Indonesia	33,100
South Africa & Lesotho	500
Peru	40
Mongolia	7,000
Total	48,676
Source: Council of Agriculture (COA)	

Policy

Imported rice continues to be inspected on a lot-by-lot basis for pesticide residues, heavy metal and aflatoxin by the import inspection authority, BSMI. This raises some national treatment concerns as Taiwan rice does not appear to be subject to such inspection. In March 2004, the Agriculture and Food Agency (AFA) under the Council of Agriculture was established in charge of pesticide residues monitoring in domestically produced agricultural products.

Marketing

The introduction of imported rice has resulted in the diversification of the Taiwan rice market into different origins and varieties. Taiwan customers now have the choice of many different types of rice, including Calrose, Koshihikari, Jasmine or Tamanishiki. With exception of specialty rices, Taiwan customers prefer local freshly produced and milled rice. Calrose doesn't fall in the specialty rice category and goes to institutional use, which accounts for 65 to 70 percent of total rice distribution. Institutional use is also stimulated by the lack of a price premium for Calrose on the Taiwan market. However, many Taiwan millers prefer marketing a 20/80 Calrose/Taiwan rice mix to increase profits. However, specialty rice such as Jasmine Thai rice or Missouri rice, Koshihikari, organic brown, rice with germ, and certified Taiwan good quality rice are priced higher than general rice varieties. The USA Rice Federation has launched its consumer promotion activities in 2004 to promote 100 percent pack U.S. rice to increase consumer awareness of U.S. high quality rice.

The diversification of rice products and the presence of new premium varieties has made local consumers increasingly concerned about false labeling of commercially packed rice. To help ensure that people get what they pay for, COA is conducting research on how to better monitor rice freshness, varieties, and origins to ensure more truth in labeling. Current rice labeling guidelines require that commercially packed rice list rice origin, local production county for Taiwan rice, or both for mixed origins. There is an ongoing project to build a "rice DNA fingerprint data bank" to cover rice varieties from Taiwan, the United States, Australia, Thailand, and Mainland China. DNA fingerprints will help prevent false labeling on rice packages.

Taiwan rice millers are using different market strategies to respond to the post-WTO market. Large millers are both importing and investing in new milling/packing facilities to improve rice quality in order to compete with imported rice. One top local miller has taken out newspaper ads for imported U.S., Japanese, Australian, and Thai rice sold under his brand. Some millers claim that they will stick with locally grown rice and segregate the market from imports though advertising. COA is training its staff to inspect packaged rice in retail outlets to improve domestically grown rice quality in order to be able to compete with imported rice.

Guaranteed Rice Purchase Prices

Two voluntary programs exist under which farmers can sell rice to Taiwan central authorities for pre-established prices: the guaranteed purchase program, and the price guidance program. Sales under these programs are limited to certain quantities per hectare. If a farmer were to sell the maximum per-hectare quantities allowable under these two programs, program sales would roughly equal half of production.

The basic purchase program has not changed fundamentally since 1993. However, in October 2003, Council of Agriculture (COA) allocated a NT\$2 billion (approximately \$600 million) from the Import Relief Measure funds to purchase additional paddy rice to stabilize the local rice market. The eligible amount of import relief purchase is set at 2,360 kg/ha. This was calculated on the five-year average production level of 4,600 kg/ha minus the 1,440 kg of guaranteed purchases. The import relief purchases were triggered by declining paddy rice prices that slipped by 18 percent below the five-year average level of NT\$15.6/kg. These lower prices were a result of Taiwan's larger than expected rice harvest and implementation of Taiwan's WTO commitment to import 144,720 tons of rice. The import relief purchases pushed up the paddy rice price to NT\$16.2/kg on December 12, 2003, and to NT\$20.57/kg by April 29, 2004.

Taiwan plans to use the import relief purchase mechanism again if rice prices for the fall crop dip below the “acceptable level” of NT\$16.6/kg. Farmers have been pressing to increase the import relief purchase price to NT\$23/kg to their reflect production costs, but the request was refused because it would have likely pushed Taiwan’s AMS above WTO limits. Higher payments would have also created an incentive to increase production further, creating more downward pressure on the rice market while pushing up stocks levels and complicating plans to dispose of domestically produced rice.

Table 7. Taiwan’s Rice Purchase Programs

	Guaranteed Purchase (paddy basis)	Guidance Purchase (paddy basis)	Import Relief Purchase (paddy basis)
Variety	Price NT\$/kg	Price NT\$/kg	Price NT\$/kg
Japonica rice	21	18	16.6
Indica rice	20	17	15.6
	Quantity kg/ha	Quantity kg/ha	Quantity kg/ha
The Spring crop	1,920	1,200	
The Fall crop	1,440	800	1,360
Total	3,360	2,000	

SECTION II. STATISTICAL TABLES**Table 8. Rice Retail Prices**

PRICES TABLE			
Country	Taiwan		
Commodity	Rice, Milled		
Prices in	NT Dollar	per uom	100 kg
Year	2003	2004	% Change
Jan	2945	2994	2%
Feb	2973	3239	9%
Mar	2988	3285	10%
Apr	2965	3493	18%
May	2945		-100%
Jun	2925		-100%
Jul	2915		-100%
Aug	2913		-100%
Sep	2906		-100%
Oct	2886		-100%
Nov	2926		-100%
Dec	2950		-100%
Exchange Rate	33.06	Local Currency/US\$	
Date of Quote	04/27/2004	MM/DD/YYYY	

Table 9. Tariff Rates for Grains

HS CODE	GRAINS	CURRENT TARIFF (%)
1001.10 & 1001.90	Wheat	6.5
1101.00	Wheat Flour	17.5
1005.10	Corn	0
1007.00	Sorghum	0
1003.00	Barley	0
1006	Rice	NT\$49 per kg**
	Source: Taiwan Customs Tariff Schedule **Out of Quota rate for unprocessed rice. Private Sector rice imports will enter through the System 3 auction quota allocation system with a price ceiling at NT\$23.26 per kg	

Table 10. Meat Production for 2000-2004 in 1,000 mt

PRODUCTION	2000	2001	2002	2003	2004 (FORECAST)
Pork	921	962	935	893	895
Poultry	727	697	697	685	670

Source: Council of Agriculture

Table 11. Feed Production for 2000-2004 in 1,000 mt

FEED PRODUCTION	2000	2001	2002	2003	2004 (FORECAST)
Total Compound Feed Produced	7,693	7,730	7,563	7,544	7,460
by commercial producers	5,232	5,015	4,921	5,083	5,060
by integrated producers	2,460	2,715	2,642	2,461	2,400
Note: Feed production estimates are based on the preliminary official data for 2002 Source: Data for 2000-2001 feed production are official numbers from the Council of Agriculture					

Table 12. Non-Grain & Feed Reports Bibliography

GAIN #	DATE	Title
TW2011	3/25/02	Biotech Corn and Soybean Events Registration Update
TW3023	07/07/03	OIE accepted Taiwan's FMD-Free with Vaccination
TW3029	8/15/03	Poultry Annual
TW4001	12/30/03	Oilseeds and Products Annual
TW4005	01/31/04	Livestock Semi-Annual